

An Introduction to

Islamic Finance

COMMUNITY WORKSHOP BY ICAN

VIDEO FOR THIS SESSION:

- Accessible from: <https://fb.watch/761cuultY2/>

BOUNDARIES FOR THE USE OF AQL

- What is the extent of the use of Aql in Islam? (allowed in some situations and not in others)
- For some aspects, detailed guidelines; for others, some principles and the structure can be established around them (e.g. Islamic finance)
- Divine commands cannot be altered by human argumentation and reason





IMPORTANCE OF THE SUBJECT

WHY IS IT IMPORTANT TO STUDY TO TOPIC OF BUSINESS TRANSACTIONS AND ISLAMIC FINANCE

قِلَّةُ الصَّبْرِ عَلَى الْأُمُورِ

Or

Greedy
about
wealth

Arrogant
towards
admonition

إِنَّ اللَّهَ تَعَالَى يُبْغِضُ كُلَّ جَعْظَرِيٍّ جَوَاطٍ، سَخَّابٍ فِي الْأَسْوَاقِ، جِيفَةٍ
بِالذَّلِيلِ، حَمَارٍ بِالنَّهَارِ، عَالِمٍ بِالدُّنْيَا، جَاهِلٍ بِالْآخِرَةِ.

COMMAND OF UMAR R.A.

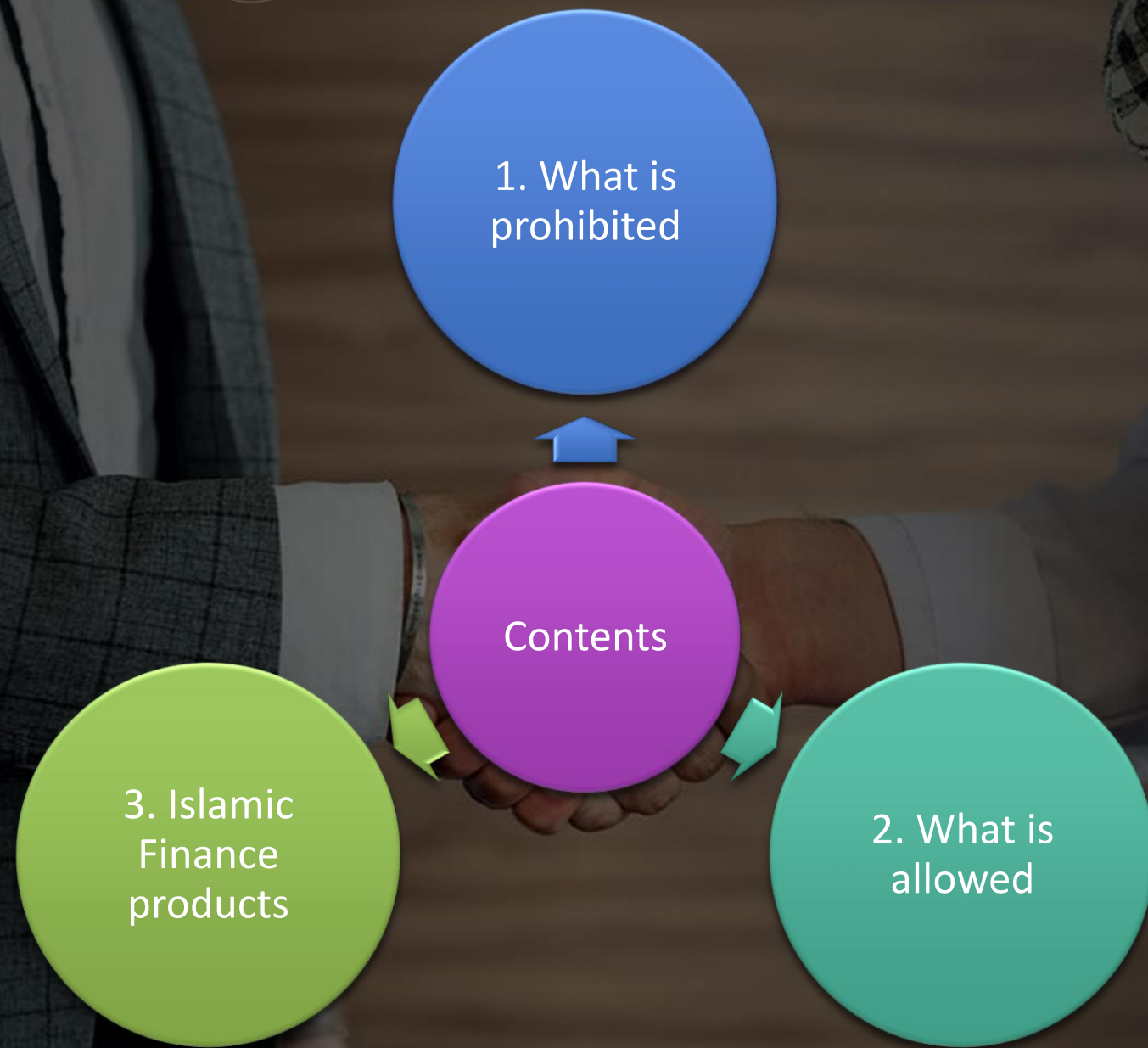
قَالَ عُمَرُ رَضِيَ اللَّهُ عَنْهُ: لَا يَبِيعُ فِي سَوْقِنَا هَذَا إِلَّا مَنْ تَفَقَّهَ فِي الدِّينِ

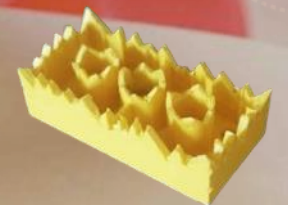
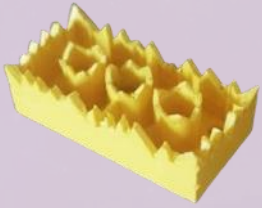
IMPORTANT TO REMEMBER ABOUT ISLAMIC FINANCE

1. Not just about buying and selling houses or cars
2. Championed by some of the best and most profound scholars



AGENDA OF THE SESSION



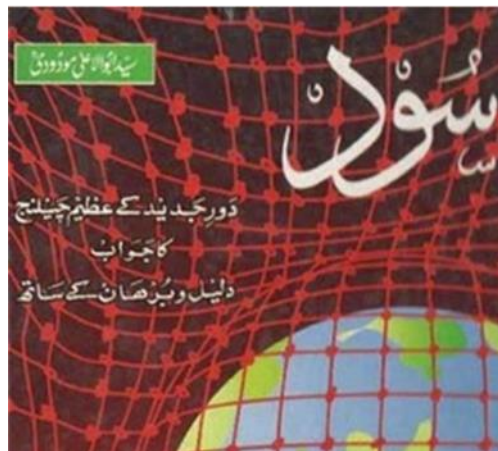
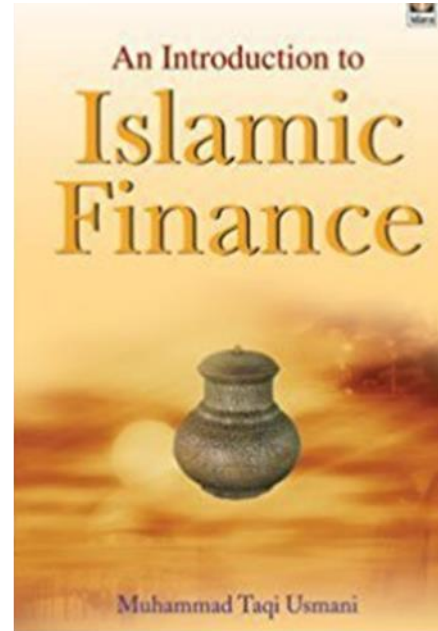
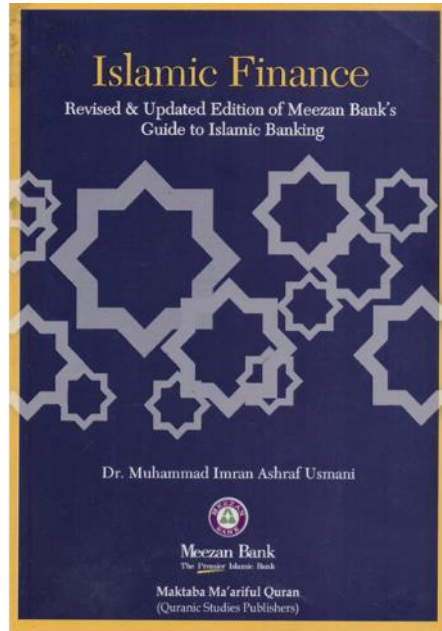


**“Flesh of scholars is
poisonous”**





SOURCES FOR FURTHER STUDY





FINANCIAL SYSTEM IN ISLAM

TYPES OF ECONOMIC SYSTEMS

- Feudalism
- Capitalism – means of production with individuals – no control on what is being traded and sold – focus on money making
- Socialism – means of production owned by state
- Islam – Community benefit at the core without compromising the right to gain financial progress

MAQASID OF SHARIAH IN TRANSACTIONS

Avoid Oppression

Avoid Arguments

Preserve wealth

Productive use of resources

Rotation of wealth

Elimination of poverty



3 COMPONENTS OF TRANSACTION

1. Buyer and seller
2. The product
3. The signa (or formula or the method in which the transaction happens)



1. WHAT IS **PROHIBITED**?



1. MAJOR PROHIBITION: **RIBA**

MADNESS OF RIBA

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ
الشَّيْطَانُ مِنَ الْمَيْسِ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ
اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِّن رَّبِّهِ فَانْتَهَى فَلَهُ مَا
سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ

WAR WITH ALLAH AND HIS MESSENGER

فَإِنْ لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ
أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ

WAR WITH ALLAH AND HIS MESSENGER

عن الطبري عَنِ ابْنِ عَبَّاسٍ رَضِيَ اللَّهُ عَنْهُ قَالَ يُقَالُ يَوْمَ الْقِيَامَةِ
لَا كِلَ الرَّبَّ أَخْذُ سِلَاحَكَ لِلْحَرْبِ وَقَرَأَ لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي
يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ

EVERYONE INVOLVED IS CURSED

عَنْ عَبْدِ اللَّهِ بْنِ مَسْعُودٍ عَنِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ:
لَعَنَ اللَّهُ آكِلَ الرِّبَا وَمُوكِلَهُ وَشَاهِدَيْهِ وَكَاتِبَهُ
مَا ظَهَرَ فِي قَوْمِ الرِّبَا وَالزِّنَا إِلَّا أَحْلَوْا بِأَنْفُسِهِمْ عِقَابَ اللَّهِ عَزَّ وَجَلَّ

HOW TO IDENTIFY RIBA

• أَيْ قَرْضٍ جَرَّ نَفْعًا فَهُوَ رِبًا

- No benefit what so ever from the one you give loan to; not even benefitting from the shade of their house
- Consumables have to be returned without any increase; Rent be charged for non-consumables

HARMS OF RIBA

- Reason for 80% of prostitution in the world
- 0.3% of world's wealth is spend on charity – 2.5% can solve all world's problem. Rather than giving sadaqa to the poor, we lend them on interest?
- Limiting entrepreneurship
- Richer become rich; the poor has no means to come out of it

FINANCIAL CRISES OF 2008



MAIN CRISES – INTEREST / SELL OF DEBTS - NO REAL ECONOMY – JUST NUMBERS

WHAT TO DO WITH INTEREST MONEY

- Give it to general charitable purposes (for example building hospitals, schools, and so on)
- Do not use it for building masjid or Quran



2. MAJOR PROHIBITION: **GCHARAR**

PROHIBITION OF GHARAR

- High level of uncertainty
- Unknown price
- Unknown product
- Quantity of product not known
- Not known if the product is available or not
- Unknown delivery timeframe
- Too complex transaction

Types of gharar



Fahish



Yaseer

Examples of Gharar Yaseer (difference in the number of rice in a plate of biryani; number of salami's on the All Night Café Pizza 😊)

GHARAR

باب بَيْعِ الْمَلَامَسَةِ - Purchase where inspection is not allowed

Narrated Abu Sa'id: Allah's Messenger ﷺ forbade the selling by Munabadha, i.e. to sell one's garment by casting it to the buyer not allowing him to examine or see it. Similarly he forbade the selling by Mulamasa. Mulamasa is to buy a garment, for example, by merely touching it, not looking at it.

حَدَّثَنَا سَعِيدُ بْنُ عَفِيرٍ، قَالَ حَدَّثَنِي اللَّيْثُ، قَالَ حَدَّثَنِي عُقَيْلٌ، عَنِ ابْنِ شِهَابٍ، قَالَ أَخْبَرَنِي عَامِرُ بْنُ سَعْدٍ، أَنَّ أَبَا سَعِيدٍ رَضِيَ اللَّهُ عَنْهُ أَخْبَرَهُ أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ نَهَى عَنِ الْمُنَابَذَةِ وَهِيَ طَرَحُ الرَّجُلِ ثَوْبَهُ بِالْبَيْعِ إِلَى الرَّجُلِ، قَبْلَ أَنْ يُقْلِبَهُ، أَوْ يَنْظُرَ إِلَيْهِ، وَنَهَى عَنِ الْمَلَامَسَةِ، وَالْمَلَامَسَةُ لُبْسُ الثَّوْبِ لَا يَنْظُرُ إِلَيْهِ.

Reference : Sahih al-Bukhari 2144

GHARAR

Narrated Ibn `Umar: The Prophet ﷺ forbade Muzabana; and Muzabana is the selling of fresh fruit (without measuring it) for something by measure on the basis that if that thing turns to be more than the fruit, the increase would be for the seller of the fruit, and if it turns to be less, that would be of his loss. Narrated Ibn `Umar from Zaid bin Thabit that the Prophet ﷺ allowed the rukhsah for selling of the fruits on the trees after estimation (when they are ripe).

حَدَّثَنَا أَبُو النُّعْمَانِ، حَدَّثَنَا حَمَّادُ بْنُ زَيْدٍ، عَنْ أَيُّوبَ، عَنْ نَافِعٍ، عَنِ ابْنِ عُمَرَ رَضِيَ اللَّهُ عَنْهُمَا. أَنَّ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ
نَهَى عَنِ الْمُزَابَنَةِ قَالَ وَالْمُزَابَنَةُ أَنْ يَبِيعَ الشَّعِيرَ بِكَيْلٍ، إِنْ زَادَ فَلِيَ وَإِنْ نَقَصَ فَعَلَى. قَالَ وَحَدَّثَنِي زَيْدُ بْنُ ثَابِتٍ، أَنَّ النَّبِيَّ
صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ رَخَّصَ فِي الْعَرَائِيَا بِخَرْصِهَا.



OPPORTUNITY TO EARN A VIRTUAL CHOCOLATE

Review the next two ahadith and tell if one can sell what one doesn't have or not

SELLING WHAT YOU DO NOT HAVE

It was narrated that Hakim bin Hizam said: "I said: 'O Messenger of Allah ﷺ, a man is asking me to sell him something that I do not possess; Shall I sell it to him?' He said: 'Do not sell what is not with you.'"

حَدَّثَنَا مُحَمَّدُ بْنُ بَشَّارٍ، حَدَّثَنَا مُحَمَّدُ بْنُ جَعْفَرٍ، حَدَّثَنَا شُعْبَةُ، عَنْ أَبِي بَشِيرٍ، قَالَ سَمِعْتُ يُوسُفَ بْنَ مَاهَكَ، يُحَدِّثُ عَنْ
حَكِيمِ بْنِ حِزَامٍ، قَالَ قُلْتُ يَا رَسُولَ اللَّهِ الرَّجُلُ يَسْأَلُنِي الْبَيْعَ وَلَيْسَ عِنْدِي أَفَأَبِيعُهُ قَالَ "لَا تَبِيعَ مَا لَيْسَ عِنْدَكَ".

Reference : Sunan Ibn Majah 2187

SELLING WHAT YOU DO NOT HAVE

Narrated Ibn `Abbas: Allah's Messenger ﷺ came to Medina and the people used to pay in advance the price of fruits to be delivered within one or two years. (The sub-narrator is in doubt whether it was one to two years or two to three years.) The Prophet ﷺ said, "Whoever pays money in advance for dates (to be delivered later) should pay it for known specified weight and measure (of the dates).

حَدَّثَنَا عَمْرُو بْنُ زُرَّارَةَ، أَخْبَرَنَا إِسْمَاعِيلُ ابْنُ عُلَيَّةَ، أَخْبَرَنَا ابْنُ أَبِي نَجِيحٍ، عَنْ عَبْدِ اللَّهِ بْنِ كَثِيرٍ، عَنْ أَبِي الْيَنْهَالِ، عَنِ ابْنِ عَبَّاسٍ. رَضِيَ اللَّهُ عَنْهُمَا. قَالَ قَدِمَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ الْمَدِينَةَ، وَالنَّاسُ يُسَلِّفُونَ فِي الشَّرِّ الْعَامَ وَالْعَامَيْنِ أَوْ قَالَ عَامَيْنِ أَوْ ثَلَاثَةً. شَكََّ إِسْمَاعِيلُ. فَقَالَ "مَنْ سَلَفَ فِي تَمَرٍ فَلْيُسَلِّفْ فِي كَيْلٍ مَعْلُومٍ، وَوَزْنٍ مَعْلُومٍ".

Reference : Sahih al-Bukhari 2239

DO NOT SELL WHAT YOU DON'T HAVE

- It is about a specific product – i.e. a particular phone or a particular car or so on when we don't really have it. "A" car or "a" phone is fine as long as you are the primary producer.
- This practice supplies finances to the producers and manufacturers
- Same applies for the house.
- If it is in the ownership of your agent (e.g. the logistic company you employed), that is fine too

MULTIPLE SALES IN ONE CONTRACT ARE NOT ALLOWED

Narrated Abu Hurairah: "The Messenger of Allah ﷺ prohibited two sales in one."

عَنْ أَبِي هُرَيْرَةَ، قَالَ نَهَى رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ عَنْ بَيْعَتَيْنِ فِي بَيْعَةٍ

Reference : Jami` at-Tirmidhi 1231

"I will marry your sister if you marry mine"
"I will sell you my car, if you sell me your boat"



3. OTHER PROHIBITIONS

SELLING AFTER HOARDING

Ma'mar b. Abdullah reported Allah's Messenger ﷺ as saying: No one hoards but a sinner.

حَدَّثَنَا سَعِيدُ بْنُ عَمْرٍو الْأَشْعَثِيُّ، حَدَّثَنَا حَاتِمُ بْنُ إِسْمَاعِيلَ، عَنْ مُحَمَّدِ بْنِ عَجْلَانَ، عَنْ مُحَمَّدِ بْنِ عَمْرِو بْنِ عَطَاءٍ، عَنْ سَعِيدِ بْنِ الْمُسَيَّبِ، عَنْ مَعْمَرِ بْنِ عَبْدِ اللَّهِ، عَنْ رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ "لَا يَحْتَكِرُ إِلَّا خَاطِئٌ".

Reference : Sahih Muslim 1605b

Important principle: The right of community takes precedence over individual right.

UNETHICAL BEHAVIOURS HARAM

Narrated `Abdullah bin `Umar: Allah's Messenger ﷺ said, "Do not urge somebody to return what he has already bought (i.e. in a sale where an option to return is available) from another seller so as to sell him your own goods."

حَدَّثَنَا إِسْمَاعِيلُ، قَالَ حَدَّثَنِي مَالِكٌ، عَنْ نَافِعٍ، عَنْ عَبْدِ اللَّهِ بْنِ عُمَرَ، رَضِيَ اللَّهُ عَنْهُمَا، أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ "لَا يَبِيعُ بَعْضُكُمْ عَلَى بَيْعِ أَخِيهِ".

Reference : Sahih al-Bukhari 2139

HIDING FAULTS OF PRODUCT AND PRESENTING IT AS WHAT IT IS NOT

It was narrated from Abu Qatadah that the Messenger of Allah ﷺ said: "Beware of swearing oaths when selling, for it may help you to make a sale but it destroys the blessing."

حَدَّثَنَا يَحْيَى بْنُ خَلْفٍ، حَدَّثَنَا عَبْدُ الْأَعْلَى، ح وَحَدَّثَنَا هِشَامُ بْنُ عَمَّارٍ، حَدَّثَنَا إِسْمَاعِيلُ بْنُ عَيَّاشٍ، قَالَ حَدَّثَنَا مُحَمَّدُ بْنُ إِسْحَاقَ، عَنْ مَعْبُدِ بْنِ كَعْبٍ بْنِ مَالِكٍ، عَنْ أَبِي قَتَادَةَ، قَالَ قَالَ رَسُولُ اللَّهِ ﷺ. "إِيَّاكُمْ وَالْحِلْفَ فِي الْبَيْعِ فَإِنَّهُ يُنْفِقُ ثُمَّ يَمْحَقُ".

Reference : Sunan Ibn Majah 2209

RIBA AL-BUYUN: MONEY AND CONSUMABLES RIBA IN SALE

Narrated Abu Sa'id: We used to be given mixed dates (from the booty) and used to sell (barter) two Sas (of those dates) for one Sa (of good dates). The Prophet ﷺ said (to us), "No (bartering of) two Sas for one Sa nor two Dirhams for one Dirham is permissible", (as that is a kind of usury).

حَدَّثَنَا أَبُو نُعَيْمٍ، حَدَّثَنَا شَيْبَانُ، عَنْ يَحْيَى، عَنْ أَبِي سَلَمَةَ، عَنْ أَبِي سَعِيدٍ رَضِيَ اللَّهُ عَنْهُ، قَالَ كُنَّا نُرْزَقُ تَمْرَ الْجُمُعِ، وَهُوَ الْخُلْطُ مِنَ الثَّمَرِ، وَكُنَّا نَبِيعُ صَاعَيْنِ بِصَاعٍ فَقَالَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ "لَا صَاعَيْنِ بِصَاعٍ، وَلَا دِرْهَمَيْنِ بِدِرْهَمٍ".

Reference : Sahih al-Bukhari 2080

IMPLICATIONS OF RIBA AL-BUYUN

- Unequal exchange quantities at a later time – “take a Sa of wheat from me now and give me two Sa later”
- Unequal exchange quantities at the time of Bai: “New currency notes”, “Gold Jewellery replacement”
- **Reason for prohibition:** Unnecessary argumentation; Sadd Ad-Diraye; undue gain

SOME OTHER PROHIBITIONS / DISLIKED MATTERS

- Selling prohibited times
- Going out of city to purchase in advance
- Selling debt for a debt – the cycle can move on and on
- Monopoly disliked in Islam



2. WHAT IS **ALLOWED**?

INSTALMENTS

حَدَّثَنَا عَبْدُ اللَّهِ بْنُ يُوسُفَ، أَخْبَرَنَا مَالِكٌ، عَنْ هِشَامِ بْنِ عُرْوَةَ، عَنْ أَبِيهِ، عَنْ عَائِشَةَ، رَضِيَ اللَّهُ عَنْهَا.
قَالَتْ جَاءَتْنِي بَرِيرَةُ فَقَالَتْ كَاتَبْتُ أَهْلِي عَلَى تِسْعِ أَوَاقٍ فِي كُلِّ عَامٍ وَاقِيَّةٌ

Sahih al-Bukhari 2168

Narrated `Urwa: Aisha said, "Barira came to me and said, 'I have agreed with my masters to pay them nine Uqiyas (of gold) (in installments) one Uqiya per year...

AUCTION

حَدَّثَنَا مُحَمَّدُ بْنُ مَسْعَدَةَ، أَخْبَرَنَا عَبْدُ اللَّهِ بْنُ شُمَيْطِ بْنِ عَجْلَانَ، حَدَّثَنَا الْأَخْضَرُ بْنُ عَجْلَانَ، عَنْ عَبْدِ اللَّهِ الْحَنْفِيِّ، عَنْ أَنَسِ بْنِ مَالِكٍ، أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ بَاعَ جِلْسًا وَقَدَحًا وَقَالَ " مَنْ يَشْتَرِي هَذَا الْجِلْسَ وَالْقَدَحَ ". فَقَالَ رَجُلٌ أَخَذْتُهُمَا بِدِرْهَمٍ. فَقَالَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ " مَنْ يَزِيدُ عَلَى دِرْهَمٍ مَنْ يَزِيدُ عَلَى دِرْهَمٍ " فَأَعْطَاهُ رَجُلٌ دِرْهَمَيْنِ فَبَاعَهُمَا مِنْهُ.

Narrated Anas bin Malik: That the Messenger of Allah ﷺ sold a saddle blanket and a drinking bowl. He ﷺ said: "Who will buy saddle blanket and drinking bowl?". So a man said: "I will take them for a Dirham." So the Prophet ﷺ said: "Who will give more than a Dirham ? Who will give more that a Dirham ?" A man agreed to give him two Dirham, so he sold them to him.

Jami` at-Tirmidhi 1218 - Hassan

SOMEONE DOING TRANSACTION ON ANOTHER PERSON'S BEHALF (I.E. THE USE OF AGENTS)

Narrated Jabir: The Prophet ﷺ sold a Mudabbar (on behalf of his master who was still living and was in need of money).

حَدَّثَنَا ابْنُ مُيَرِّ، حَدَّثَنَا وَكِيعٌ، حَدَّثَنَا إِسْمَاعِيلُ، عَنْ سَلَمَةَ بْنِ كُهَيْلٍ، عَنْ عَطَاءٍ، عَنْ جَابِرٍ. رَضِيَ اللَّهُ عَنْهُ. قَالَ بَاعَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ الْمُدَبَّرَ.

Reference : Sahih al-Bukhari 2230

LOAN AND RIHN (SECURITY PROPERTY)

Narrated `Aisha R.A.: The Prophet ﷺ purchased food grains from a Jew on credit and gave his iron Armor to him as *Rihn*.

حَدَّثَنَا مُعَلَّى بْنُ أَسَدٍ، حَدَّثَنَا عَبْدُ الْوَاحِدِ، حَدَّثَنَا الْأَعْمَشُ، قَالَ ذَكَرْنَا عِنْدَ إِبْرَاهِيمَ الرَّهْنِ فِي السَّلَمِ فَقَالَ حَدَّثَنِي
الْأَسْوَدُ عَنْ عَائِشَةَ رَضِيَ اللَّهُ عَنْهَا أَنَّ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ اشْتَرَى طَعَامًا مِنْ يَهُودِيٍّ إِلَى أَجَلٍ، وَرَهْنَهُ دِرْعًا مِنْ
حَدِيدٍ.

Reference : Sahih al-Bukhari 2068

PRE-EMPTION

Narrated Jabir bin `Abdullah: Allah's Messenger ﷺ decided the validity of pre-emption in every joint undivided property, but if the boundaries were well marked or the ways and streets were fixed, then there was no pre-emption.

حَدَّثَنَا مُحَمَّدُ بْنُ مَحْبُوبٍ، حَدَّثَنَا عَبْدُ الْوَاحِدِ، حَدَّثَنَا مَعْمَرٌ، عَنِ الزُّهْرِيِّ، عَنْ أَبِي سَلَمَةَ بْنِ عَبْدِ الرَّحْمَنِ، عَنْ جَابِرِ بْنِ عَبْدِ اللَّهِ رَضِيَ اللَّهُ عَنْهَا. قَالَ قَضَى النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ بِالشُّفْعَةِ فِي كُلِّ مَالٍ لَمْ يُقَسَّمْ، فَإِذَا وَقَعَتِ الْحُدُودُ وَصُرِّفَتِ الطُّرُقُ فَلَا شُفْعَةَ.

Reference : Sahih al-Bukhari 2214

SALARY

Narrated Abu Huraira: The Prophet ﷺ said, "Allah says, 'I will be against three persons on the Day of Resurrection: 1. One who makes a covenant in My Name, but he proves treacherous. 2. One who sells a free person (as a slave) and eats the price, 3. And one who employs a labourer and gets the full work done by him but does not pay him his wages.' "

حَدَّثَنِي بَشْرُ بْنُ مَرْحُومٍ، حَدَّثَنَا يَحْيَى بْنُ سُلَيْمٍ، عَنْ إِسْمَاعِيلَ بْنِ أُمَيَّةَ، عَنْ سَعِيدِ بْنِ أَبِي سَعِيدٍ، عَنْ أَبِي هُرَيْرَةَ، رَضِيَ اللَّهُ عَنْهُ. عَنِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ " قَالَ اللَّهُ ثَلَاثَةٌ أَنَا خَصْمُهُمْ يَوْمَ الْقِيَامَةِ، رَجُلٌ أَعْطَى بِي ثُمَّ غَدَرَ، وَرَجُلٌ بَاعَ حُرًّا فَأَكَلَ ثَمَنَهُ، وَرَجُلٌ اسْتَأْجَرَ أَجِيرًا فَاسْتَوْفَى مِنْهُ، وَلَمْ يُعْطِ أَجْرَهُ".

Reference : Sahih al-Bukhari 2227

RETURN OPTION

Narrated Ibn `Umar: Allah's Messenger ﷺ said, "Both the buyer and the seller have the option of cancelling or confirming the bargain, as long as they are still together; and unless they separate or one of them gives the other the option of keeping or returning the things and a decision is concluded then, in which case the bargain is considered final. If they separate after the bargain and none of them has rejected it, then the bargain is rendered final."

حَدَّثَنَا قُتَيْبَةُ، حَدَّثَنَا اللَّيْثُ، عَنْ نَافِعٍ، عَنِ ابْنِ عُمَرَ رَضِيَ اللَّهُ عَنْهُمَا. عَنْ رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ أَنَّهُ قَالَ " إِذَا تَبَايَعَ الرَّجُلَانِ فَكُلُّ وَاحِدٍ مِنْهُمَا بِالْخِيَارِ، مَا لَمْ يَتَفَرَّقَا، وَكَانَا جَمِيعًا، أَوْ يُخَيِّرَ أَحَدُهُمَا الْآخَرَ فَتَبَايَعَا عَلَى ذَلِكَ، فَقَدْ وَجَبَ الْبَيْعُ، وَإِنْ تَفَرَّقَا بَعْدَ أَنْ يَتَبَايَعَا، وَلَمْ يَتْرُكْ وَاحِدٌ مِنْهُمَا الْبَيْعَ، فَقَدْ وَجَبَ الْبَيْعُ " .

Reference : Sahih al-Bukhari 2112

RENT

Narrated `Abdullah: Allah's Messenger ﷺ rented the land of Khaibar to the Jews on the condition that they would work on it and cultivate it and take half of its yield.

حَدَّثَنَا مُوسَى بْنُ إِسْمَاعِيلَ، حَدَّثَنَا جُوَيْرِيَّةُ بْنُ أَسْمَاءَ، عَنْ نَافِعٍ، عَنْ عَبْدِ اللَّهِ. رَضِيَ اللَّهُ عَنْهُ. قَالَ أَعْطَى رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ خَيْبَرَ الْيَهُودَ أَنْ يَعْمَلُوهَا وَيَزْرَعُوهَا وَلَهُمْ شَطْرُ مَا يَخْرُجُ مِنْهَا.

Reference : Sahih al-Bukhari 2285, 2286



OPPORTUNITY TO EARN A VIRTUAL CHOCOLATE

In the next two ahadith, one of the narrations indicate that advance payment is allowed. The other indicates that it is not. What is the reason?

ADVANCE PAYMENT (السَّلَم) – NOT ALLOWED

It was narrated that Hakim bin Hizam said: "I asked the Prophet PBUH "O Messenger of Allah, a man may come to me and ask me to sell him something that I do not have. Can I sell it to him then go and buy it from the market?" He said: 'Do not sell what you do not have.'"

حَدَّثَنَا زِيَادُ بْنُ أَيُّوبَ، قَالَ حَدَّثَنَا هُشَيْمٌ، قَالَ حَدَّثَنَا أَبُو بَشِيرٍ، عَنْ يُونُسَ بْنِ مَاهَكَ، عَنْ حَكِيمِ بْنِ حِزَامٍ، قَالَ سَأَلْتُ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَقُلْتُ يَا رَسُولَ اللَّهِ يَأْتِينِي الرَّجُلُ فَيَسْأَلُنِي الْبَيْعَ لَيْسَ عِنْدِي أَبْيَعُهُ مِنْهُ ثُمَّ أَتْبَاعُهُ لَهُ مِنَ السُّوقِ. قَالَ "لَا تَبِعْ مَا لَيْسَ عِنْدَكَ".

Reference : Sunan an-Nasa'i 4613

ADVANCE PAYMENT (السَّلَم) - ALLOWED

Narrated Muhammad bin Al-Mujalid: `Abdullah bin Shaddad and Abu Burda sent me to `Abdullah bin Abi `Aufa and told me to ask `Abdullah whether the people in the lifetime of the Prophet ﷺ used to pay in advance for wheat (to be delivered later). `Abdullah replied, "We used to pay in advance to the peasants of Sham for wheat, barley and olive oil of a known specified measure to be delivered in a specified period." I asked (him), "Was the price paid (in advance) to those who had the things to be delivered later?" `Abdullah bin `Aufa replied, "We did not use to ask them about that." Then they sent me to `Abdur Rahman bin Abza and I asked him. He replied, "The companions of the Prophet (ﷺ) used to practice Salam in the lifetime of the Prophet; and we did not use to ask them whether they had standing crops or not."

حَدَّثَنَا مُوسَى بْنُ إِسْمَاعِيلَ، حَدَّثَنَا عَبْدُ الْوَاحِدِ، حَدَّثَنَا الشَّيْبَانِيُّ، حَدَّثَنَا مُحَمَّدُ بْنُ أَبِي الْبَجَالِ، قَالَ بَعَثَنِي عَبْدُ اللَّهِ بْنُ شَدَّادٍ وَأَبُو بُرْدَةَ إِلَى عَبْدِ اللَّهِ بْنِ أَبِي أَوْفَى رَضِيَ اللَّهُ عَنْهُمَا. فَقَالَ سَلُهُ هَلْ كَانَ أَصْحَابُ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فِي عَهْدِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ يُسَلِفُونَ فِي الْحِنْطَةِ قَالَ عَبْدُ اللَّهِ كُنَّا نُسَلِفُ نَبِيَطَ أَهْلِ الشَّامِ فِي الْحِنْطَةِ، وَالشَّعِيرِ، وَالزَّيْتِ، فِي كَيْلٍ مَعْلُومٍ، إِلَى أَجَلٍ مَعْلُومٍ. قُلْتُ إِلَى مَنْ كَانَ أَصْلُهُ عِنْدَهُ قَالَ مَا كُنَّا نَسْأَلُهُمْ عَنْ ذَلِكَ. ثُمَّ بَعَثَانِي إِلَى عَبْدِ الرَّحْمَنِ بْنِ أَبْزَى فَسَأَلْتُهُ فَقَالَ كَانَ أَصْحَابُ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ يُسَلِفُونَ عَلَى عَهْدِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ وَلَمْ نَسْأَلُهُمْ أَلْهَمْ حَرِثْتُ أَمْ لَا



ANOTHER VIRTUAL CHOCOLATE!

Do we need to make a payment when returning a good (that we have decided not to buy)?

NO PAYMENT WHEN RETURNING THE PRODUCT THAT DID NOT MEET THE SPECIFICATION PROVIDED

Narrated 'Aishah R.A.: "The Prophet ﷺ judged that the produce is for the one responsible." ... As for the meaning of "the produce is for the one responsible," he is the man who purchased the slave then the slave produced for him, and he found some defect in him, so he returned him to the seller. Then the produce (of his work before return) is the right of the purchaser's. In cases similar to this, the produce is for the one responsible.

عَنْ عَائِشَةَ، أَنَّ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَضَى أَنَّ الْخَرَجَ بِالضَّيَّانِ... وَتَفْسِيرُ الْخَرَجِ بِالضَّيَّانِ هُوَ الرَّجُلُ يَشْتَرِي الْعَبْدَ فَيَسْتَغْلُهُ ثُمَّ يَجِدُ بِهِ عَيْبًا فَيَرْدُّهُ عَلَى الْبَائِعِ فَالْغَلَّةُ لِلْمُشْتَرِي لِأَنَّ الْعَبْدَ لَوْ هَلَكَ هَلَكَ مِنْ مَالِ الْمُشْتَرِي.

Reference : Jami` at-Tirmidhi 1286

PAYMENT WHEN RETURNING THE PRODUCT THAT DID NOT MEET THE SPECIFICATION PROVIDED

Narrated Abu Huraira: Allah's Messenger ﷺ said, "Whoever buys a sheep which has been kept unmilked for a long period, and milks it, can keep it if he is satisfied, and if he is not satisfied, he can return it, but he should pay one Sa of dates for the milk."

حَدَّثَنَا مُحَمَّدُ بْنُ عَمْرٍو، حَدَّثَنَا الْمَكِّيُّ، أَخْبَرَنَا ابْنُ جُرَيْجٍ، قَالَ أَخْبَرَنِي زَيْدٌ، أَنَّ ثَابِتًا، مَوْلَى عَبْدِ الرَّحْمَنِ بْنِ زَيْدٍ أَخْبَرَهُ أَنَّهُ سَمِعَ
أَبَا هُرَيْرَةَ. رَضِيَ اللَّهُ عَنْهُ. يَقُولُ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ "مَنْ اشْتَرَى غَنَمًا مُصَرَّاةً فَاحْتَلَبَهَا، فَإِنْ رَضِيَهَا
أَمْسَكَهَا، وَإِنْ سَخِطَهَا فَفِي حَلْبَتِهَا صَاعٌ مِنْ تَمْرٍ".

Reference : Sahih al-Bukhari 2151

WHAT ARE THE BENEFITS OF THIS APPROACH?

QUALITY OF PRODUCTS AND SERVICE
NO UNDUE OPPRESSION ON THE BUYER

PARTNERSHIP

Narrated Jabir bin `Abdullah: The Prophet ﷺ said, "The right of pre-emption is valid in every **joint undivided property**, but when the land is divided and the way is demarcated, then there is no right of pre-emption."

حَدَّثَنَا مُسَدَّدٌ، حَدَّثَنَا عَبْدُ الْوَاحِدِ، حَدَّثَنَا مَعْبَرٌ، عَنِ الزُّهْرِيِّ، عَنْ أَبِي سَلَمَةَ، عَنْ جَابِرِ بْنِ عَبْدِ اللَّهِ. رَضِيَ اللَّهُ عَنْهُمَا. قَالَ قَضَى النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ بِالشُّفْعَةِ فِي كُلِّ مَالٍ يُقْسَمُ، فَإِذَا وَقَعَتِ الْحُدُودُ وَصُرِّفَتِ الطُّرُقُ فَلَا شُفْعَةَ.

Reference : Sahih al-Bukhari 2496

ITEMS THAT ARE NOT SOLD BY WEIGHT OR COUNT CAN BE BARTER-TRADED

Narrated 'Abdullah bin 'Umar (ra): I bartered my property in Khaibar to 'Uthman (chief of the faithful believers) for his property in Al-Wadi. When we finished the deal, I left immediately and got out of his house lest he should cancel the deal, for the tradition was that they buyer and the seller had the option of cancelling the bargain unless they separated. When our deal was completed, I came to know that I have been unfair to 'Uthman, for by selling him my land I caused him to be in a land of Thamud, at a distance of three days journey from Al-Madina, while he made me neared to Al-Madina, at a distance of three days journey from my former land. (Sahih al-Bukhari 2116)

قَالَ أَبُو عَبْدِ اللَّهِ وَقَالَ اللَّيْثُ حَدَّثَنِي عَبْدُ الرَّحْمَنِ بْنُ خَالِدٍ، عَنْ
ابْنِ شَهَابٍ، عَنْ سَالِمِ بْنِ عَبْدِ اللَّهِ، عَنْ عَبْدِ اللَّهِ بْنِ عُمَرَ، رَضِيَ
اللَّهُ عَنْهُمَا، قَالَ بَعْتُ مِنْ أَمِيرِ الْمُؤْمِنِينَ عُثْمَانَ مَالًا بِالْوَادِي
بِمَالٍ لَهُ بِخَيْبَرَ، فَلَمَّا تَبَايَعْنَا رَجَعْتُ عَلَى عَقِبِي حَتَّى خَرَجْتُ مِنْ
بَيْتِهِ، خَشْيَةً أَنْ يُرَادَّنِيَ الْبَيْعُ، وَكَانَتِ السُّنَّةُ أَنَّ الْمُتَبَايِعِينَ
بِالْخِيَارِ حَتَّى يَتَفَرَّقَا، قَالَ عَبْدُ اللَّهِ فَلَمَّا وَجَبَ بَيْعِي وَبَيْعُهُ رَأَيْتُ
أَنِّي قَدْ غَبَنْتُهُ بِأَنِّي سَقَيْتُهُ إِلَى أَرْضِ ثَمُودٍ بِثَلَاثِ لَيَالٍ وَسَاقَيْتُهُ
إِلَى الْمَدِينَةِ بِثَلَاثِ لَيَالٍ.

CONDITIONS CAN BE PUT IN CONTRACTS

Kathir bin 'Amr bin 'Awf Al-Muzani narrated from his father, from his grandfather, that the Messenger of Allah ﷺ said: "Reconciliation is allowed among the Muslims, except for reconciliation that makes the lawful unlawful, or the unlawful lawful. And the Muslims will be held to their conditions, except the conditions that make the lawful unlawful, or the unlawful lawful."

حَدَّثَنَا الْحَسَنُ بْنُ عَلِيٍّ الْخَلَّالُ، حَدَّثَنَا أَبُو عَامِرٍ الْعَقَدِيُّ، حَدَّثَنَا كَثِيرُ بْنُ عَبْدِ اللَّهِ بْنِ عَمْرِو بْنِ عَوْفٍ الْمُرَزِيُّ، عَنْ أَبِيهِ، عَنْ جَدِّهِ، أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ " الصُّلْحُ جَائِزٌ بَيْنَ الْمُسْلِمِينَ إِلَّا صُلْحًا حَرَّمَ حَلَالًا أَوْ أَحَلَّ حَرَامًا وَالْمُسْلِمُونَ عَلَى شُرُوطِهِمْ إِلَّا شَرْطًا حَرَّمَ حَلَالًا أَوْ أَحَلَّ حَرَامًا ". قَالَ أَبُو عِيسَى هَذَا حَدِيثٌ حَسَنٌ صَحِيحٌ.

Reference : Jami` at-Tirmidhi 1352

FACTORS THAT DETERMINE THE VALIDITY OF TRANSACTION

1. Mutual consent except in some situations (when govt asks, when father asks etc.)
2. Buyer and seller must be competent and authorized to sell (child under 7 cannot give a charity or loan or so on – he can act as an agent for mother or father though in buying a chocolate or something)
3. Permissible commodities only
4. Commodity must be sold by the owner or his agent
5. The owner should be able to hand over the property to the buyer – you cannot sell a rented house or birds in the sky
6. The commodity must be well-described visually or orally – option to finalize upon seeing can be provided
7. The method of transaction and conditions should be in a form permitted by shariah

FEE FOR A SERVICE IS HALAL

It was narrated that 'Ali said: "I used to draw water, one bucket for a date, and I stipulated that they should be good quality, dried dates."

حَدَّثَنَا مُحَمَّدُ بْنُ بَشَّارٍ، حَدَّثَنَا عَبْدُ الرَّحْمَنِ، حَدَّثَنَا سُفْيَانُ، عَنْ أَبِي
إِسْحَاقَ، عَنْ أَبِي حَيَّه، عَنْ عَلِيٍّ، قَالَ كُنْتُ أَذْلُو الدَّلَّو بِثَمَرَةٍ
وَأَشْتَرِطُ أَنَّهَا جَلْدَةٌ.

Reference : Sunan Ibn Majah 2447



TRANSACTION WITH SOMEONE WHOSE INCOME IS A MIX OF HALAL AND HARAM

3 situations:

If the source of wealth of lender is **unknown**: No problem in transaction. The default position is that it is considered lawful.

If the person earned from **unlawful means**: The sin is upon that person and not the borrower. Fiqhi rule: Change of hands means change of ruling. However, if one can refrain, it is closer to piety.

If the money being given away is the **stolen property**: Stay away from it

Narrated `Aisha R.A.: The Prophet ﷺ purchased food grains from a Jew on credit and gave his iron Armor to him as *Rihn*.

حَدَّثَنَا مُعَلَّى بْنُ أَسَدٍ، حَدَّثَنَا عَبْدُ الْوَاحِدِ، حَدَّثَنَا الْأَعْمَشُ، قَالَ
ذَكَرْنَا عِنْدَ إِبْرَاهِيمَ الرَّهْنِ فِي السَّلَمِ فَقَالَ حَدَّثَنِي الْأَسْوَدُ عَنْ
عَائِشَةَ رَضِيَ اللَّهُ عَنْهَا أَنَّ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ اشْتَرَى طَعَامًا
مِنْ يَهُودِيٍّ إِلَى أَجَلٍ، وَرَهْنَهُ دِرْعًا مِنْ حَدِيدٍ.

Reference : Sahih al-Bukhari 2068



3. ISLAMIC FINANCE **SOLUTIONS**

ISLAMIC BANKING - JUST FOR MUSLIMS?

- Riba is also prohibited in other religions: Exodus 22:25, Leviticus 25:35-36, Deuteronomy 23:20, Psalms 15:5, Proverbs 28:8, Nehemiah 5:7 and Ezakhiel 18:8,13,17 & 22:12)
- 50% of customers of Islamic banks are non-Muslims
- 20% growth per year for many years!!
- UK – Hub of Islamic finance

HOW DO I KNOW THAT THE PRODUCT I AM USING MEETS THE CRITERIA SET BY SCHOLARS?

- AAOIFI Shariah Council has developed financial standard for Islamic banking and finance through consultation of 21 top scholars from around the Muslim world
- Headed by Justice Mufti Taqi Uthmani



MUSHARAKAH

- Bank owns the house
- You buy a portion of it every month and pay the rent for the portion that is not yet yours
- Bank can decide how much to sell each month (in an agreed plan)
- Total price is never changed

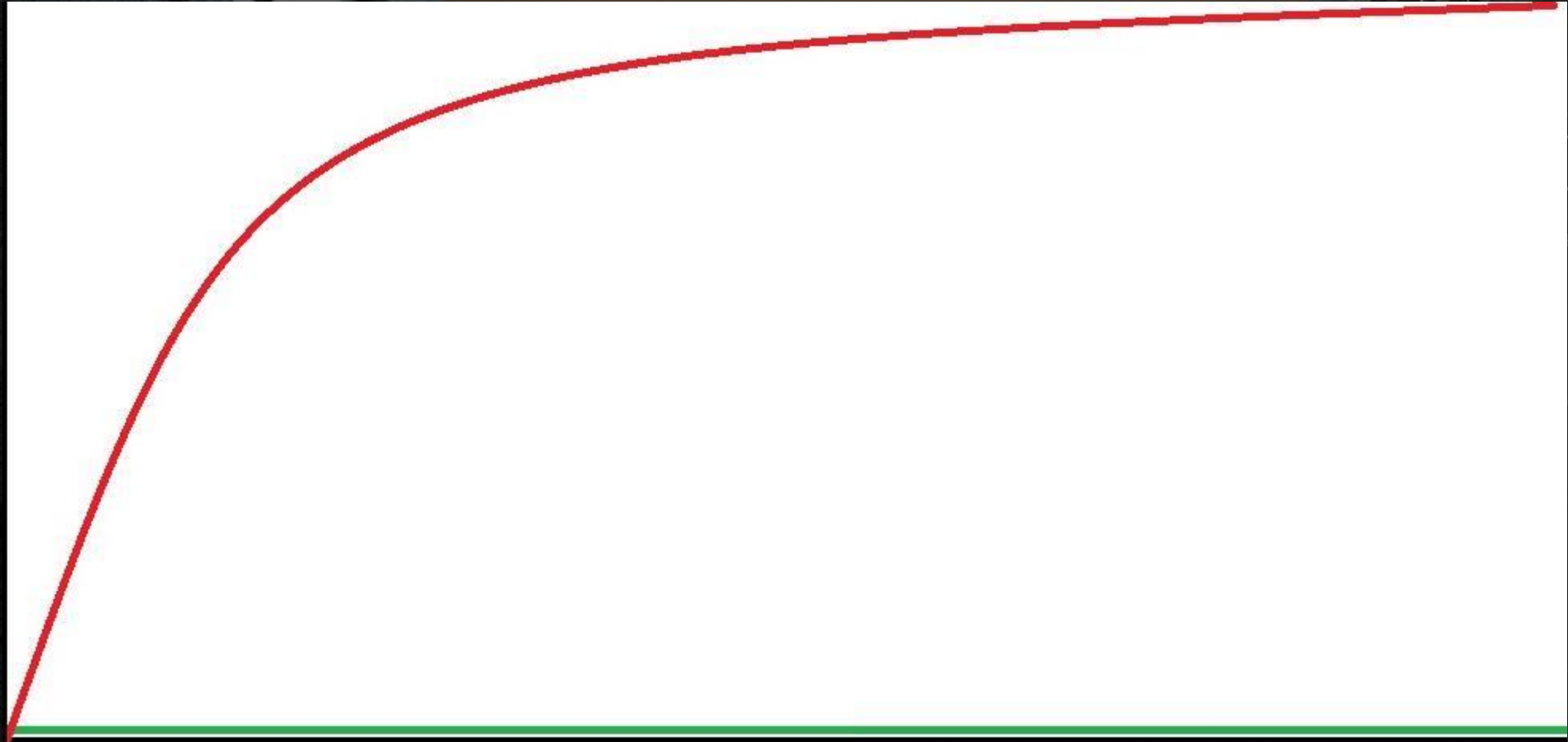
MUSHARAKAH – VARIOUS COMBINATIONS CAN BE MADE

House value: 55,000			
	Rent	Purchase	Total
Year 0	10,000	0	10,000
Year 1	9000	1,000	10,000
Year 2	8000	2,000	10,000
Year 3	7000	3,000	10,000
Year 4	6000	4,000	10,000
Year 5	5000	5,000	10,000
Year 6	4000	6,000	10,000
Year 7	3000	7,000	10,000
Year 8	2000	8,000	10,000
Year 9	1000	9,000	10,000
Year 10	0	10,000	10,000

House value: 55,000			
	Rent	Purchase	Total
Year 0	10,000	0	10,000
Year 1	9000	1,000	10,000
Year 2	8000	2,000	10,000
Year 3	7000	3,000	10,000
Year 4	6000	4,000	10,000
Year 5	6000	5,000	11,000
Year 6	5000	6,000	11,000
Year 7	4000	7,000	11,000
Year 8	3000	8,000	11,000
Year 9	2000	9,000	11,000
Year 10	0	10,000	10,000

MUSHARAKAH

Years



Percentage of purchase in monthly payment (it might not start from year 1 too)



OPPORTUNITY TO EARN A VIRTUAL CHOCOLATE

Can the bank charge a late payment fee?
What if you can't pay enough?
What if you are unable to pay any further?
Can the lender increase the rent?

How does Mudarabah work?



MUDARABAH

Mudarabah – One party (Rab ul Maal) invests and gives to someone who uses this fund in a business activity (Mudarib) to get a pre-determined **percentage** (not a fixed amount) of profit. In case of loss, the loss is completely of the investors.

المبسوط (ج 12 ص 18) - وجواز هذا العقد عرف
بالسنة والإجماع

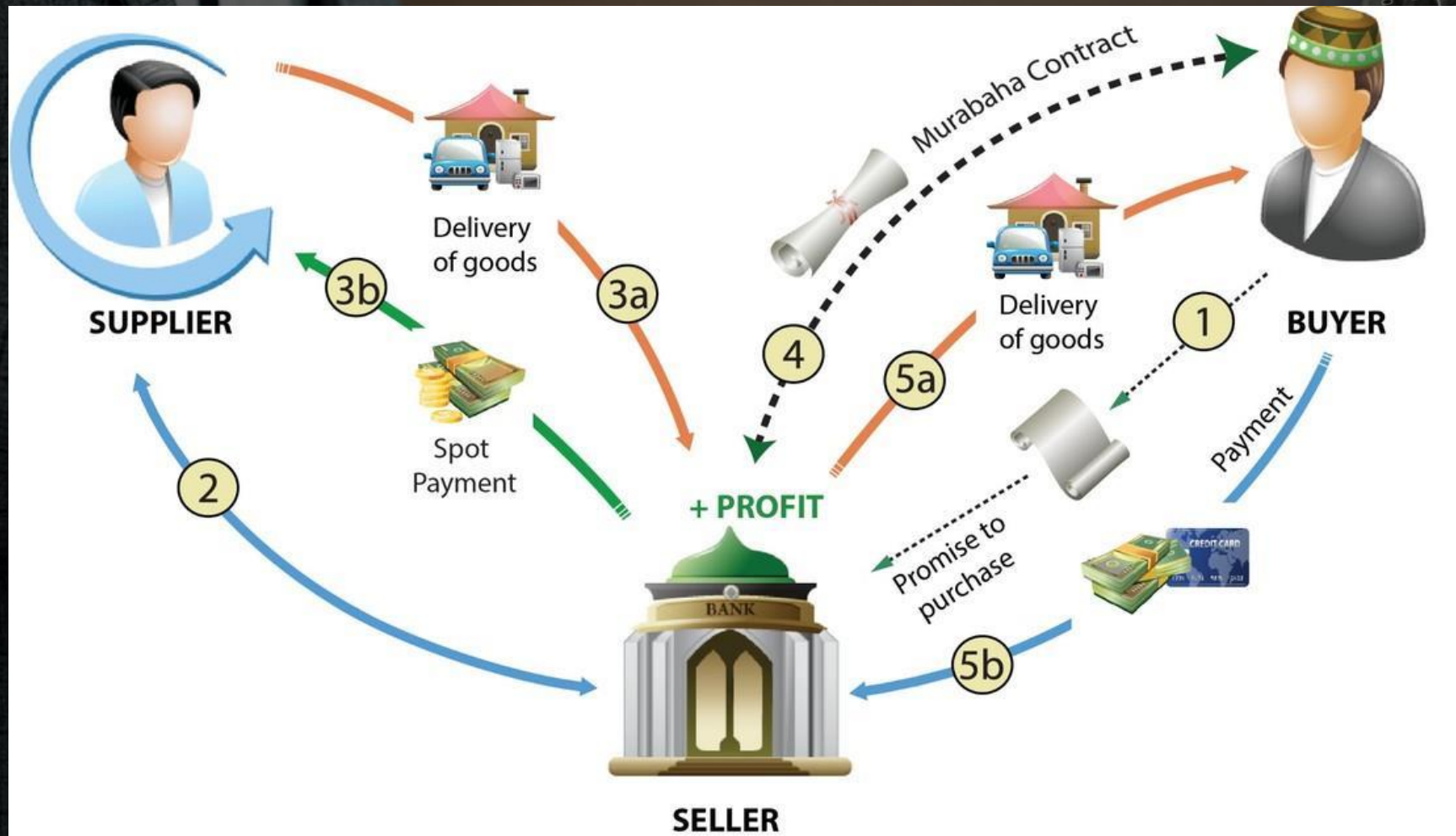
المغني (ج 5 ص 135) - روى عن حميد بن عبد الله عن
أبيه عن جده أن عمر بن الخطاب أعطاه مال يتيمة
مضاربة يعمل به في العراق.

IJARAH

- House is bank's property
- Remains as such unless you give rent for a particular period of time
- Then, as a condition, the ownership transfers to you
- Problem: No share of the pie for the borrower
- However, halal



MURABAHA



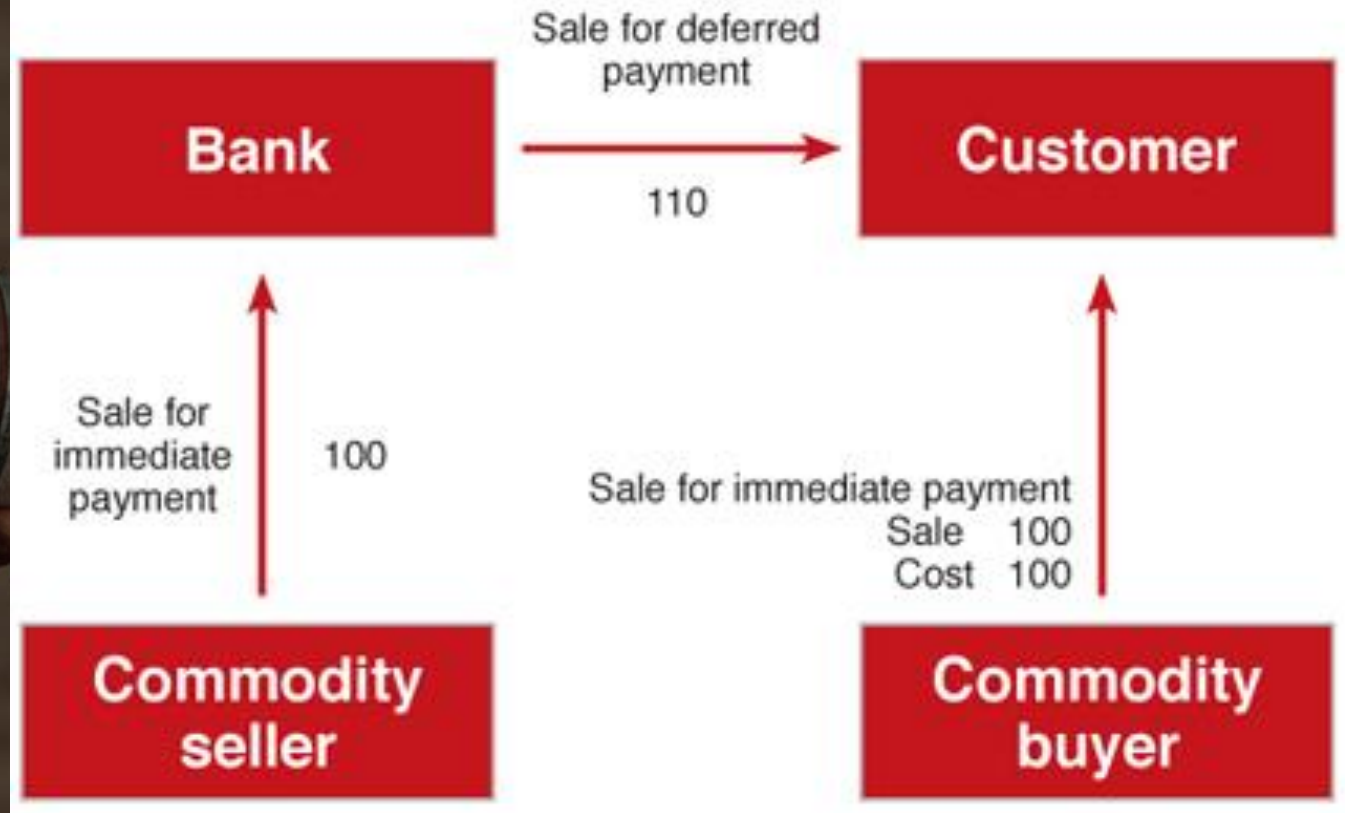
MURABAHA

- Halal except when the condition to purchase becomes binding on the seller
- Selling what you don't already have

TAWARRUQ

- It is considered a heela
- It can be either halal or haram
- If the product is sold back to the one from whom it was purchased, it is considered Eeenah and is haram according to many scholars
- Fatwa:
<https://islamqa.info/en/answers/98124/tawarruq-via-the-bank-and-differences-in-fatwas-concerning-it-from-fiqh-councils-and-banks-scholars>

Tawarruq



DO NOT SELL AT THE PLACE WHERE YOU BOUGHT IT

Narrated Nafi`: Ibn `Umar told us that the people used to buy food from the caravans in the lifetime of the Prophet. The Prophet (ﷺ) used to forbid them to sell it at the very place where they had purchased it (but they were to wait) till they carried it to the market where foodstuff was sold. Ibn `Umar said, 'The Prophet (ﷺ) also forbade the reselling of foodstuff by somebody who had bought it unless he had received it with exact full measure.'

حَدَّثَنَا إِبرَاهِيمُ بْنُ الْمُنْذِرِ، حَدَّثَنَا أَبُو ضَمْرَةَ، حَدَّثَنَا مُوسَى، عَنْ نَافِعٍ، حَدَّثَنَا ابْنُ عُمَرَ، أَنَّهُمْ كَانُوا يَشْتَرُونَ الطَّعَامَ مِنَ الرُّكَبَانِ عَلَى عَهْدِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَيَبِعَتْ عَلَيْهِمْ مَنْ يَمْنَعُهُمْ أَنْ يَبِيعُوهُ حَيْثُ اشْتَرَوْهُ، حَتَّى يَنْقُلُوهُ حَيْثُ يُبَاعُ الطَّعَامُ. قَالَ وَحَدَّثَنَا ابْنُ عُمَرَ رَضِيَ اللَّهُ عَنْهُمَا. قَالَ نَهَى النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ أَنْ يُبَاعَ الطَّعَامُ إِذَا اشْتَرَاهُ حَتَّى يَسْتَوْفِيَهُ.

SUKOOK

Outside the scope of this workshop

Information on its validity (by Mufti Taqi Uthmani):

<https://alqalam.org.uk/wp-content/uploads/2017/07/Mufti-Taqi-sukuk-paper.pdf>

CONVENTIONAL INSURANCE

- Two schools:
- School 1: Insurance is haram - because of:
 - Gharar
 - Unjustly using money of other people
 - Delay in payment (cash for cash, hand in hand principle violated)
 - Less or more payment than the contribution made by the insure
- School 2: Insurance is halal – because of:
 - It is a fee for a service (just like gym fee that people use unequally)
 - It is redistribution of risks of many people equally
 - Maslahah (especially in West)

Fatwa: <https://aboutislam.net/counseling/ask-the-scholar/financial-issues/is-car-insurance-permissible-in-islam/>

TAKAFUL

- **Evidence:** Blood-money for a person in the time of the Prophet PBUH paid by the tribe after pooling in money
- Whoever needs it can use it
- If money is exhausted, the payment is not made
- Manager can charge a fee for managing the funds
- Money can also be invested if the contributing parties agree



OPPORTUNITY TO EARN A VIRTUAL CHOCOLATE

DISCUSSION:

**DIFFERENCE BETWEEN CONVENTIONAL AND ISLAMIC
BANKING PRODUCTS**

SOME ISLAMIC FINANCE INSTITUTIONS IN AUSTRALIA

- MCCA
- Amanah Finance
- Meezan Finance
- Hejaz Finance
- ICFAL